

**BUDGET WORK SESSION
OF THE BRIGHAM CITY COUNCIL
MAY 1, 2006
5:30 P.M.**

PRESENT:	Lou Ann Christensen	Mayor
	Jon Adams	Mayor Pro Tem
	Holly Bell	Councilmember
	Alden Farr	Councilmember
	Reese Jensen	Councilmember
	Steve Hill	Councilmember
ALSO PRESENT:	Mary Kate Christensen	City Recorder
	Bruce Leonard	City Administrator
	Dennis Sheffield	Director of Finance

Health Insurance

Mr. Sheffield said the Insurance Committee met and based on the feedback from the employees, the Committee elected to stay with MetLife for dental and Altius for health insurance. MetLife will increase 31% over the next two years. This is 15.5% per year.

After negotiating with Altius, they came in with a 15% increase. However, if the deductible is increased from \$250 to \$500 per individual and from \$500 to \$1,000 per family, it would decrease the proposed rate increase from 15% to 10.08%. Mr. Sheffield explained that due to some IRS changes, the City can reimburse the employee for the additional \$250 for the individual or \$500 for the family. The Committee recommended the 15% increase remain in the budget, and reimburse the difference to cover the employees that would go over their deductible. He explained that if an employee goes above the \$250 deductible in a year, the employee can request reimbursement from this fund and get paid for the difference. Mayor Christensen added that the employee would have to pay the deductible first, and then be reimbursed from this fund. Mr. Sheffield said it is estimated there will be enough money in the fund to reimburse 66 employees at \$250, or 33 employees at \$500. If the City chooses to go to a \$1,000 deductible per individual and \$2,000 per family, the increase in the rate is .79%. With this option, the number of people that could be reimbursed through the fund would go down. He recommended the higher deductible be considered next year, after a year of using this program.

General Fund Balance

Mr. Sheffield reported that after making the changes to the budget recommended in the last budget work session, the General Fund is still out of balance \$138,000. This figures the transfer at 17%.

Fleet Lease and Purchase

Mr. Leonard said he met with Janet Lowe and Verdgil Crow and reviewed the proposed vehicle purchase list. They reviewed the cemetery dump truck, three police vehicles, K9 truck, and two meter reader trucks. All of these trucks are in good condition. He talked to Ms. Wood about the dump truck. It is a 1996 and has 21,000 miles on it. It is only driven from the cemetery to the reservoir. She said this could be replaced next year. Two of the police cars to be replaced are for the School Resource Officers. They are used between the Police Department and the school. The other police care is Sgt. Crapse's patrol car. The two meter reader trucks are 1998; one has 41,000 miles on it and the other has 29,000. One of them needs the seat replaced, but other than that they are both in good condition. They also looked at delaying purchase of the 38' aerial bucket truck for the Parks Department. He recommended this be delayed a year and lease one when it is needed for tree trimming. If the vehicle is leased, the Parks Department could track the costs and see how effective it is going to be. The standby refuse truck was also on the replacement list, and they felt this could be put off a year.

The Council instructed Mr. Sheffield to figure the budget with these vehicles removed and the lease payment backed out, and another schedule showing the lease payment adjusted to eliminate the deficit.

Mr. Leonard said they are going to look at the life cycle of the equipment in the Fire Department. Mr. Buchanan told him they are going to submit a grant for an ambulance. The City's match would be \$25,000-\$30,000. There will be a grant awarded to every County, and Brigham City is the only City in Box Elder County

that has submitted an application. There is \$110,000 in the budget for this ambulance. If the old ambulance can be sold, this could be used for the match money, and the \$110,000 can stay in the fleet lease.

Peach Days Contribution

Mr. Leonard distributed a list of the estimated costs provided by the City in support of Peach Days. It included labor from Leisure Services, Jim Buchanan, Streets, Waste Collection, Inspection, Community Development and the Electric Department and totaled \$22,121.42. It did not include the Police Department. It also did not include fuel and equipment, which would probably be double that amount. Councilmember Jensen said Peach Days is a benefit to Brigham City which is hard to quantify. Mayor Pro Tem Adams said this does not include all the volunteer hours. The City allows the Chamber to lease the building for only \$1.00/year, which is another benefit the City provides for them. **Councilmember Jensen will bring this information to the next Chamber meeting.**

Summer Concert Series

The Council decided to leave the funding in the budget for the Summer Series. However, **Councilmember Jensen will talk to the Chamber about moving the Concert back downtown and encourage downtown businesses to remain open.** Some performers will draw a larger crowd and need to be at Pioneer Park, but other than those concerts, it should be downtown. Mayor Christensen explained that the whole purpose for starting the Concert Series was to bring traffic downtown and have the businesses open so people would shop downtown.

Lincoln Center/Boys and Girls Club

Councilmember Hill declared a conflict of interest due to some of his after-school programs being funded approximately \$800 per year through the Lincoln Center.

Councilmember Hill said he is hesitant to cut this from the budget this year. He recommended giving them a year with the new director, and look at it again next year. The new director plans to be very pro-active looking for grants, and if the City cuts \$10,000 from their budget this could cut even more grants because it is \$10,000 less they have to use for matching funds. Another reason he does not want to cut their funding is because they do a lot of programs for the youth of the City. The youth benefit at the Lincoln Center and at several schools they partnership with. He felt that for \$65,000 the City is getting a lot. **The Council agreed to wait a year and relook at this.**

Sewer Lateral Replacements

There is currently \$25,000 in the budget to replace sewer lateral replacements due to orangeburg pipe failure. Mayor Christensen explained that this would be a low interest loan the citizens would have to pay back. Mr. Sheffield suggested they get the loan through the bank, the City pre-pay the interest charge, and they would pay the bank so the City does not have to bill them and collect it. Mayor Pro Tem Adams questioned whether banks would loan money for this. Councilmember Farr said one of the concerns of the citizens is that there should be some kind of uniformity in the charges. Some residents were being billed \$15,000 because they did not know any better, and because it is an emergency. Mr. Sheffield said he does not believe it is the City's responsibility. He felt it is the homeowner's responsibility, they bought that when they purchased their home, it is their responsibility. He compared it to people that purchase a home in a slide area. Mayor Pro Tem Adams said the Council created a perception that the City would do something for these people, and they are expecting some kind of program. Mr. Sheffield said there was \$50,000 in the budget; however, in order to balance this he transferred some money from the Waste Treatment to the Storm Drain and Water Departments. After all the adjustments, there is \$24,571 to the fund balance in the Waste Treatment Department. There will be more if the Council eliminates the charge back.

Councilmember Bell said she can understand Mr. Sheffield's concern because it is difficult sometimes to get people to pay their bills. This would be one more bill they would have to pay.

Mayor Pro Tem Adams said some cities are charging \$2.00 to every citizen to replace sewer replacements for those who need it. Councilmember Bell said Brigham City has a lot of customers on fixed income and they will not want to pay \$2.00 more for something they are not going to get any benefit from.

Mayor Pro Tem Adams said it is not the City's fault these pipes are failing. When orangeburg pipe was being installed it was an approved source. The citizens are just saying that because the City has such a large percentage, the City should do something to help them.

Councilmember Jensen expressed concern with the equality of a program like this. It is using public money to benefit a select few. Mayor Christensen said it is only a loan, they are paying it back. Councilmember Jensen agreed, but only at 3% interest. Also, it is an additional cost to the other citizens because there are administrative costs associated with this, such as billing, collection, and undoubtedly there will be those that go into default. He felt this program would add additional costs to all the citizens for the benefit of a very few. Mayor Pro Tem Adams said cities do that, recreation is an example. Councilmember Jensen said the difference is that recreation is available to all citizens whether they choose to use it or not is their choice. Mr. Leonard said the program does not need to be restricted only to orangeburg pipe failure.

The Council agreed to put \$30,000 in the fund and set the criteria, etc. at a later date.

Restore Waste Collection Fund Balance

Mr. Sheffield said when he adjusts the fleet lease the money will go back into the fund balance.

City Council Increase

Mr. Sheffield said there is \$1,086 budgeted for the Council increase, and \$300 for the Mayor's increase. These amounts include retirement, social security, etc. This equates to approximately \$15 per month per councilmember. Councilmember Jensen said although this doesn't sound like a lot, it could be compared to utility increases. It can be put off for years and years, then the salaries will be behind and at some point there will have to be a big increase. He recommended keeping up rather than having to catch up. Mayor Pro Tem Adams said this is how it used to be done, then the last few years the Council's increase has been the same percentage as the employees'. It also helps future Councils. Some need it, others do not. **The Council agreed to leave the increase in the budget.**

Market Based Increase vs. Merit Increase

Mayor Pro Tem Adams said the Consumer Price Index (CPI) is 3.4%. His concern is that the City has a market-based compensation plan, but if market is not funded, everyone will fall behind. The Mayor had recommended 2% for merit and 1.4% for market. She explained that the higher percentage for merit awards those employees that are going above and beyond. If they are under market it would go into the salary so they would be brought up to midpoint quicker anyway. Mayor Pro Tem Adams explained that salary scales are shifted based on the CPI, so if Brigham City does not keep up with market, it affects the City's ability to recruit and keep employees. If the CPI is 3.4% and the market increase is funded at 1.4%, employees know they fell behind market 2%. Employees who are below market will never get to market if it is not funded equivalent to the CPI. The market will keep sliding upward with the CPI.

Councilmember Farr suggested putting all of the 3.4% toward market. Mayor Christensen said the merit increase is what makes the employees accomplish their goals. Councilmember Farr said if there are employees that are not performing they need to be told they are not meeting expectations and ultimately they will find another job. Councilmember Jensen said there needs to be some kind of program to award the performers. If not, get rid of the balanced scorecard because it is just adding cost.

Last year the CPI was 3.3% and 2% was funded for market and 2% for merit. Mayor Pro Tem Adams said last year employees slid 1.3% from market and this year they will slide 2%.

Mayor Christensen said she has seen the difference between a COLA and a merit increase, and the difference is night and day. If there was a way to document the savings to the City from the performance management system it would show great cost savings to the City. Employees are working together more, they are collaborating together more, and they are trying to look for ways to save money. Mayor Pro Tem Adams said the performance management is a way to measure performance. He expressed concern in how savings is defined. He agreed that employees are becoming more efficient and more willing to work cooperatively. However, when it comes to savings, if a project was \$13,500 if a contractor would have done it, and City employees did it for \$11,500, there is still no extra money in the budget because there was not \$13,500 in the

budget for a contractor to do it to begin with. This does not diminish their efforts, that's where the award programs come in. But the savings is not there. If it was, it could be used to fund the merit. Mayor Christensen said it is a savings for future budgets. Councilmember Hill said that is assuming that it would be funded in the future.

Mayor Pro Tem Adams said if 3.4% is funded, an employee may still only get 1% if they are not performing. It is still taking the pot of money and adjusting market. It is the poor performers who are not going to be brought up to market. Councilmember Jensen said when he was a manager he was given a budget for his department's merit increase. He was given a total budget based on 3% of his total department budget and he could divide that up anyway he wanted. His poor performers only got 1% of the 3% and he was able to take the difference and give it to the high performers. In effect, he used the difference to award the high performers. If any of the City directors give an employee 1% they can take that difference and give another employee 4%. Mayor Pro Tem Adams said that is what the directors have to do to make it work, and it has to be on a sound basis. If a director has five employees and there has been 3.4% allocated for merit in his department, and there are three employees that are meeting goals, they will get 3.4%. If there is one that is doing a superb job and one that is sliding, the person not performing funds the high performer; however, the market scale still keeps up. Mayor Christensen said this is a merit increase. Mayor Pro Tem Adams said if the merit system is administered the way it is supposed to it is not a bad system. Merit systems fail when supervisors cannot face an employee and tell them they are not performing and they are not getting a raise. They have a tendency to give everybody the same percentage. With the performance management system, supervisors have a basis to say the employee is not performing and why. However, there is the possibility that a group, especially a small work group, that works well together could all get 3.4%. But that should be rare. Councilmember Jensen said he would agree to the split, provided that each department is given 3.4% and then they distribute as they see fit. Employees need to understand that they are not guaranteed the 3.4% just because it is in the budget. They need to recognize that some will get more and some will get less. This provides the ability to keep up with the CPI, and it gives the departments the flexibility in the way they spend it. Mayor Pro Tem Adams added that they cannot go above their grade scale, although the scale will adjust with the CPI as well. The way the split is now, employees will never top out and it is a de-motivator.

The Council agreed to have the entire 3.4% go toward merit increases.

The meeting adjourned at 8:30 p.m.